



United States Department of State

*Office of Foreign Missions
Washington, D.C. 20520*

NOTICE

Income Tax Information

On February 28, 2006, the Office of Foreign Missions hosted a forum in Washington, DC for the foreign mission and international organization community concerning the federal and state income tax liabilities of their members. This event included presentations by the Internal Revenue Service (IRS) and the District of Columbia's Office of Tax and Revenue (DC OTR).

As a reference for missions and organizations that were unable to attend this event, the handouts provided by the IRS and DC OTR are attached with this notice.

Please note, that as general rule individuals that are determined to have a liability to file and/or pay federal income tax are likely to have a similar liability for state and/or local income taxes. Such individuals are advised to contact the appropriate state and/or local taxing jurisdiction for any questions concerning such liabilities.

March 17, 2006



Tax Information for Employees of Foreign Governments and International Organizations

Eric Smith
Stakeholder Liaison, International
Internal Revenue Service
SB/SE Stakeholder Liaison

Agenda



- Wage Income
- Self-Employment Tax
- Deductions for Unreimbursed Employee Business Expenses
- Effect of Married Filing Jointly
- Estimated Tax
- Simplified Employee Pension (SEP) Plan

Wages Paid by a Foreign Gov't or International Organization



- US Citizen or Green Cardholder (lawful permanent resident): Wages paid for work in the US are generally subject to US income tax.
- Foreign Citizen (without a Green Card): These wages are generally exempt from US income tax. Certain conditions apply.
- Exceptions: Form I-508 waiver, Dual-status citizen, Tax Treaty, Consular Agreement, International Agreement.
- These wages may not be State tax exempt.

Employees of a Foreign Gov't
or International Organization



US Citizens working in the US

- Your employer does not withhold US taxes
- Your Responsibilities for this wage income:
 - Report wages on Form 1040, Line 7
 - Complete Schedule SE for Self-employment tax on your wage income
 - Make Estimated Tax Payments

Employees of a Foreign Gov't
or International Organization



Green Cardholders working in the US

- Your employer does not withhold US taxes
- No Self-employment tax on these wages
- Your Responsibilities for this wage income:
 - Report wages on Form 1040, Line 7
 - Make Estimated Tax Payments

Employees of a Foreign Gov't
or International Organization



US Citizens & Green Cardholders may
have deductions for this wage income

- Use Form 2106 to calculate unreimbursed employee business expenses, and deduct on Schedule A, Miscellaneous itemized deductions subject to 2% of adjusted gross income.
- Do Not use Schedule C for this wage income or expenses.

Employees of a Foreign Gov't or International Organization



US Citizens & Green Cardholders working outside the US

- Your employer does not withhold US taxes
- No Self-employment tax on these wages
- Your Responsibilities for this wage income:
 - Report wages on Form 1040, Line 7
 - Make Estimated Tax Payments

Employees of a Foreign Gov't or International Organization



Foreign Citizens (without a Green card) working in the US

- Your wages from a foreign government or international organization may be exempt from US tax under certain conditions.
- Your wages may be State tax exempt.
- Your Responsibilities:
 - Complete Form 1040-NR to report other taxable US source income.
 - Estimated Tax Payments, if needed

Married Filing Joint on your US Income Tax Return



Nonresident Alien married to US Citizen or Resident Alien

- A nonresident alien, who is an employee of a foreign government or International organization, may file jointly with a spouse who is a US Citizen or Resident Alien.
- This wage income remains tax exempt for the nonresident alien spouse.

Government of the District of Columbia
Office of Tax and Revenue
U. S. State Department
Tax Liability Forum

Presenters: Glen Groff, director, Compliance Administration
Nirmal Dhaliwal, Supervisory Tax Auditor

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Office of Tax and Revenue
Sheryl Hobbs Freeman, Deputy Chief Financial Officer

February 28, 2006



Who must file a D.C. tax return?

- You were a DC resident and were required to file a federal return;
- Your permanent residence was in DC for part or all of the year; and
- You lived in DC for 183 days or more during the year, even if your permanent residence was outside DC.

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Do not File a DC return if-

- You were not required to file a federal return; and
- You were not a resident of DC at any time during the year.

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Special filing circumstances

- **Part-year status**

- If you were a DC resident (or your permanent home was in DC) for less than a year, you must file as a part year resident.

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Which form should you file?

- **D-40EZ Income Tax Return for Single and Joint Filers with no Dependents**

- Your filing status is single or married filing jointly;
- You do not claim dependents;
- You do not claim an exemption for being age 65 or older or legally blind;
- You were a DC resident from January 1 through December 31;
- Your income is less than \$100,000 and consists of only wages, salaries and tips; taxable scholarships or fellowship grants; unemployment compensation; and/or interest and dividends (\$1500 maximum);

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Which form should you file?

- You have no federal adjustments to income;
- You do not claim itemize deductions;
- You do not file a DC Schedule H;
- You do not make estimated income tax payments; and
- You are not claiming a deduction for a DC college savings plan payment.

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Who Must Make Estimated Tax Payments?



- You expect to owe at least \$1000 tax per year.
- If you expect your withholdings and credits to be less than the smaller of:
 - 90% of the Estimated Tax due for 2006,
 - or
 - 100% of the tax due on your 2005 tax return.

When to Pay Estimated Tax



- | • For the period: | Due Date: |
|---------------------|----------------|
| • Jan. 1 - Mar. 31 | April 17, 2006 |
| • Apr. 1 - May 31 | June 15, 2006 |
| • June 1 - Aug. 31 | Sept. 15, 2006 |
| • Sept. 1 - Dec. 31 | Jan. 16, 2007 |

Note: Due dates are usually on the 15th of the month, unless the 15th is not a business day.

Simplified Employee Pension (SEP) Plan



- Wage income from a Foreign Government or International Organization does not qualify as self-employment income for a SEP Plan.
- No deduction is allowed for a contribution to a SEP Plan on Form 1040, line 28.

Contacts



For Country Specific Questions, please call:

- Internal Revenue Service contact person:
Glenda Rossberg, Tax Specialist,
Phone (202) 874-1559
Glenda.K.Rossberg@irs.gov
- State Department contact person:
Irina Kaufman, OFM Program Officer,
Phone (202) 895-3683 kaufmani@state.gov

Resources



- IRS Web Site: www.irs.gov
- International Taxpayer Assistance
1-215-516-2000
- Business & Specialty Tax Help
1-800-829-4933
- IRS Publications 54, 515, 519, and 901

Thank you very much

Which Form Should You File?

- **D-40 Individual Tax Return**
 - Use this form if you cannot use the D-40EZ.

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When to File

- File your return and pay any taxes by April 15 (*April 18 for 2005 individual income tax returns*). If you need more time to file your return, submit a request for an extension, Form FR-127 Extension of Time to File, on or before April 15. Any tax due must be paid in full with the request. There is no extension of time to pay.

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How to File

- **By mail**
 - Send your completed original return to
The Office of Tax and Revenue
PO Box 7861
Washington, DC 20044-7861

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Electronic Filing

- **By DC e-file**

- 1.) through a tax practitioner who is an authorized e-file provider
- 2.) through a commercial online filing service, which allows taxpayers to transmit their DC and Federal returns electronically from their home PC for a fee.
- 3.) You may file your DC Tax return directly through our electronic Taxpayer Service Center (eTSC), 24 hours a day, 7 days a week. This filing option is available to taxpayers who filed a D-40 or D-40EZ the prior year. To file online, visit www.taxpayerservicecenter.com/individual/Ind_Logon.jsp?type=100.

Or visit www.cfo.dc.gov for more information.

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Payment options (cont)

- **Credit card – you will be charged a fee**

- 1-800-272-9829 using a touch tone phone.

DC jurisdiction code is 6000. You will be given a confirmation number, which you should save for your records.

Online www.officialpayments.com and select "make a payment." The DC jurisdiction code is 6000. You will be given a confirmation number, which you should save for your records.

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Payment options

- **Check or money order**

- Include a personal check or money order payable to the DC Treasurer with your completed return. ***Write your social security number, daytime phone number, the tax year, and form number on your payment.***

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Estimated tax payments

- If your employer is not withholding DC taxes from your salary you must make estimated tax payments to avoid a penalty.
- To make payments use form D-40ES, Estimated Individual Income Tax Vouchers.
- Call 202-442-6546 to get a D-40ES booklet.

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Estimated tax payments (cont)

- The D-40ES voucher booklet explains the tax payment rules and due dates.
- To pay electronically see www.cfo.dc.gov.

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Customer Service - Telephone

- Tax questions answered – 202-727-4829
8:15 a.m. – 4:45 p.m. Monday – Friday
except Holidays
- Request Forms by mail – 202-442-6546
- Request Forms by fax – 202-727-4829
(option 1)

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Customer Service – In person

- 941 North Capitol Street NE, 1st floor
8:15 a.m. – 4:45 p.m.
Monday – Friday except holidays

Penn Branch
3220 Pennsylvania Ave, SE
8:15 a.m. – 4:30 p.m.
Monday – Friday except holidays.

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Customer Service - Internet

- WWW.cfo.dc.gov
 - Download current and prior year tax forms, find taxpayer information, DC news, and financial reports.

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